



SENATOR PAT HALE
8th Legislative District

It's your budget

Guide to the state budget • Legislative session preview



Dear friends,

With the holiday season upon us and a new year rapidly approaching, it's time for your state legislators to prepare for the 2002 legislative session, which opens on Monday, January 14.

While we bustle around purchasing last minute holiday gifts and gathering our families for holiday celebrations, we must also start thinking about how we will address some of the troubling budget problems our state is facing.

Our nation as a whole is struggling with a downturn in the economy. The recent terrorist attacks and the ongoing war have contributed to the sense of uncertainty and fear many citizens feel.

Our challenge during the 2002 budget discussions will be to find ways to reduce the state budget to make up for a potential \$1 billion shortfall, while ensuring necessary public health, safety, and education programs remain intact.

This newsletter is designed to:

- 1) Help you better understand the budget process in our state;
- 2) Explain the unique challenges we face in the 2002 budget cycle; and
- 3) Encourage you to share your ideas on funding issues.

After seven years as your state Senator, I am still amazed and gratified by this community's level of involvement; your letters, your calls, and your caring. The input you provide helps me do a better job of serving you.

As we look at the troubled world today, we are reminded once again that America is truly the land of the free and the home of the brave. In the aftermath of the Sept. 11 attacks, we have seen the best of human nature and a resurgence of unabashed patriotism. The American people have always made our nation great—people like you—people I'm honored to represent.

Happy holidays!

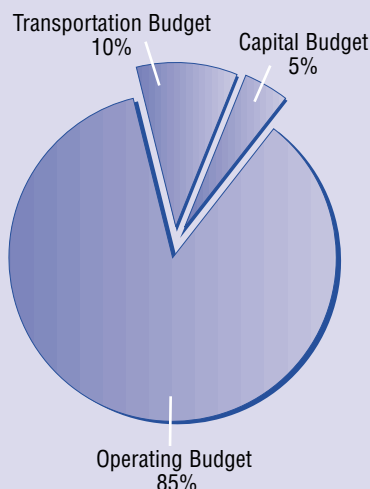
Senator Patricia S. Hale
Republican Caucus Chair

How big is the state budget?

While the state Legislature approved a \$22.8 billion state general fund operating budget, the state of Washington expects to spend a total of \$51.2 billion in state, federal, and dedicated funds in the 2001-2003 biennium. That's about \$70 million per day on average during the two-year spending period. This \$51.2 billion budget includes amounts from three different budgets, which are basically plans of how the state will spend the money.

The **OPERATING BUDGET**, which pays for the day-to-day operation of state government,

2001-2003 State Budgets



Source: Legislative Evaluation and Accountability Program (LEAP) Committee

is \$43.3 billion for 2001-03. This includes the \$22.8 billion state general fund operating budget, along with other federal funds and dedicated funds.

The **TRANSPORTATION BUDGET**, which pays for transportation activities like designing and maintaining roads and mass transit, is \$3.8 billion for 2001-2003.

The **CAPITAL BUDGET**, which funds acquisition and maintenance of state buildings, public schools, public lands, parks and other assets, is \$4.1 billion.

How does the downturn in the economy impact our budget?

All three of these budgets are impacted by the downturn in the economy and the overall reduction in revenues. When we talk about making major budget reductions, we are really looking at the state operating budget—specifically the state general fund. All major state tax revenues are deposited into this fund.

Washington relies on the sales tax, the business and occupation (B&O) tax and the property tax for more than 85 percent of state general fund revenues. Unlike most states, we do not have a personal income tax or corporate income tax.

With consumer confidence at its lowest level since 1994 and massive layoffs in the aerospace and

high-tech sectors, people have been more cautious about spending, resulting in a reduction in sales tax revenues.

And, unfortunately, the sales tax is our largest source of revenue for the general fund.

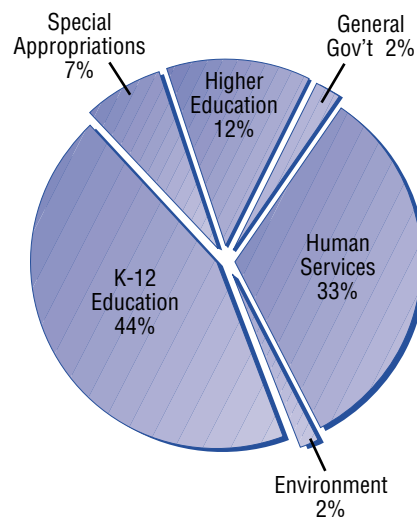
What is the state general fund and why should I care?

The state general fund is the largest single fund in Washington's budget. It is the principal state fund supporting the operation of state government.

Last session, the Legislature approved a \$22.8 billion general fund operating budget. This budget pays for things like education, social services, natural resources, and general government operations.

As you can see, we spend more than 56 percent of the general fund budget on K-12 and higher education. Then we spend another 33 percent on human services for the children, the elderly and the disabled.

General Fund Budget



Source: (LEAP)

How did we get into this budget mess?

Because voters are increasingly frustrated with government, the popularity of voter-approved initiatives has played a major role in our budgeting quandary. As you know, we started the 2001-2003 budgeting cycle with two voter-approved education initiatives that claimed nearly \$1 billion of the state's general fund at a time when we were still readjusting to deal with the impacts of I-695—the car tab initiative. However, that's not the only thing.

Throughout the legislative session, we had a fundamental disagreement over how much we

could spend in our 2001-2003 budget. The majority wanted to spend nearly \$700 million more than the state was projected to bring in over the next two years. Most Republicans opposed this idea because we felt there were more responsible ways to meet the state's needs without approving an unsustainable budget. In the end, the Legislature approved a \$22.8 billion state general fund operating budget.

I personally voted against this budget because I could not, in good conscience, support an



unsustainable budget.

At the time, we warned that this budget set us up for either huge tax increases or painful program cuts. I know I can't spend more money than I earn and I don't think the government should either!

Unfortunately, our concerns about the budget were justified. Spending down the state reserves and using one-time money for ongoing expenses was a mistake. Now, we must all work together to salvage the current budget and protect those who depend on us.

Where are we now?

With Boeing announcing the reduction of 20,000 to 30,000 jobs, the state faces close to a billion-dollar deficit.

Short of raising taxes and spending all of our remaining reserves, we are left only with the option of cutting some of the \$22.8 billion already approved for the 2001-03 budget cycle.

The Governor has pledged not to raise taxes during this difficult time—with the exception of a possible gas tax increase for transportation only.

So what does that mean? Here are some of the things we may have to consider in order to get the budget back under control:

- Layoffs of state employees — the first widespread layoffs since the early 1980s.



- A freeze of state worker and public school teacher pay increases scheduled for July 2002, saving about \$175 million.
- Tuition increases at public colleges and universities.
- Elimination of whole programs administered by the state.
- Tighter eligibility for state assistance in programs such as Medicaid.

- Elimination of nearly \$100 million a year in payments to counties and cities to help replace revenue lost when I-695 passed two years ago.
- Higher fees for some services provided by the state, including state park fees and the cost of professional licenses or
- Halting some state construction projects.

Tough decisions will need to be made across the board and some drastic cuts will be necessary to avoid additional tax increases.

While the picture looks bleak, you can be sure we will do our best to see that the safety net for our state's most vulnerable—our children and elderly—remains intact.



SENATOR PAT HALE
8th Legislative District



Please keep in touch

If you would like to provide your input on this or any other legislative situation, you may contact me in the following ways:

By mail:

Sen. Pat Hale
PO Box 40408
Olympia, WA 98504-0408

(Be sure to follow proper mailing standards as the legislative mailroom is in a heightened state of alert.)

By e-mail: hale_pa@leg.wa.gov

(Be sure to include your name, address, and phone number)

By phone: (360) 786-7614

Via the legislative hotline: 1-800-562-6000

You may also schedule a visit to Olympia during the legislative session.

As always, I welcome your letters, phone calls and visits and look forward to your input during the 2002 legislative session.

▲ Senate page Colt Homme joins Sen. Pat Hale for a week in Olympia. If you would like to be a page for the 2002 session, please contact Sen. Hale's office for an application or apply on-line at <http://www.leg.wa.gov/senate/sadm/senpage.htm>